

Emerging money laundering and terrorist financing risks from June 2020

15 June 2020

Our latest emerging risks bulletin looks at the re-opening of land-based gambling businesses, the new £20 notes; new list of high-risk jurisdictions; increased levels of theft/fraud linked to gambling; vulnerable gamblers; online ID verification and Financial Action Task Force Advice.

Scheduled re-opening of land-based betting shops and arcades on 15th June and the new £20 notes

The recent government announcement of the re-opening of ‘non-essential’ shops on 15th June 2020 includes land-based betting shops.

Gambling businesses are reminded of their mandatory responsibilities under The [Gambling Act 2005 \(opens in new tab\)](#), The [Licence Condition and Codes of Practice \(‘LCCP’\)](#), The [Proceeds of Crime Act 2002 \(opens in new tab\)](#) (‘PoCA’), The [Terrorism Act 2000 \(opens in new tab\)](#) (‘TACT’) and other applicable laws in order to keep crime out of gambling.

Linked to the above point (regarding the re-opening of some land-based businesses), on the 20th February 2020, the Bank of England launched the new polymer £20 note. Although the old paper £20 note continues to be accepted as legal tender, it will eventually be removed from circulation.

During the transition from the paper note to the polymer note, individuals with quantities of the paper £20 note (including notes that may be the proceeds of crime) are likely to try to exchange them before they are removed from circulation.

Where gambling businesses and their frontline staff have knowledge or suspicion of money laundering or terrorist financing involving the old paper £20 note, they must submit suspicious activity reports (SARs) to the UKFIU in the normal way.

More information about the new polymer £20 note can be found on the [Bank of England’s website \(opens in new tab\)](#).

New list of high-risk jurisdictions available

On the 7th May 2020, the European Commission (EC) amended its list containing high risk third jurisdictions with strategic anti-money laundering deficiencies in their regime to include the following:

- The Bahamas

- Barbados
- Botswana
- Cambodia
- Ghana
- Jamaica
- Mauritius
- Mongolia
- Myanmar
- Nicaragua
- Panama
- Zimbabwe.

Customers that are associated with high risk third countries (because of citizenship, country of business or country of residence) may present a higher money laundering risk to your business. Licensees are reminded to ensure they have adequate 'Know Your Customer' (KYC) and/or customer due diligence checks in place. Additionally, casino businesses are required to conduct mandatory enhanced due diligence (EDD) checks where a customer resides or is situated in a high risk third country. This includes undertaking source of funds and source of wealth checks on the customer as required under [The Money Laundering Regulations 2017 \(opens in new tab\)](#). Please see our guidance for [casino](#) and [other operators](#) for further information regarding gambling businesses' legal duties.

Increase in card fraud/theft

There has been a reported increase in card fraud/theft which has then been used for gambling purposes which are the proceeds of crime.

Gambling businesses are reminded to be vigilant on affordability and source of funds for their customers. Where there is knowledge or suspicion of money laundering (including criminal spend) or terrorist financing, a suspicious activity report (SAR) must be submitted to the United Kingdom's Financial Intelligence Unit (UKFIU) as required under PoCA and TACT. Also, a Key Event must be submitted to the Commission (as required under Licence Condition 15.2.1 (15) of The [LCCP](#)) referencing the SAR's unique reference number (URN).

Vulnerable gamblers seeking to increase self-imposed gambling limits

Licensees must remain vigilant to the increased risk that vulnerable gamblers may seek to break their self-imposed gambling limits because of the current pandemic. Gambling businesses should consider affordability as a starting point for benchmarking customer interaction triggers. Licensees should be vigilant that a customer attempting to spend criminal proceeds or launder money could also be a problem gambler. Patterns of increased spending or spend inconsistent with apparent source of income could be indicative of money laundering but also equally of problem gambling, or both. Licensees are directed towards the

Commission's recently [published guidance](#) for online and land-based gambling businesses which shows how they should conduct customer interaction.

Licence Condition 17 of The LCCP and Online ID Verification

Licence Condition 17 of The [LCCP](#) came into effect on 7th May 2019 and covers age and verification procedures for online gambling businesses [†]. The change means that online gambling businesses are not permitted to allow a customer to gamble before they have verified the customer's identity. This Licence Condition was implemented to improve industry standards by ensuring that ID checks are carried out at the start of the customer relationship and not only at a later stage. This revision is also consistent with [The Money Laundering Regulations 2017 \(opens in new tab\)](#) which requires ongoing monitoring of customer relationships (Regulation 28(11)) and our published [guidance](#) which states that risks should be considered at all stages of the customer relationship.

The Commission is reminding online businesses that only verifying a customer's identity at the point of withdrawal is a high risk policy from a money laundering and terrorist financing perspective and may be in breach of Licence Condition 17, as it means that CDD or EDD checks (if required and applicable only to casinos) or KYC checks (applicable to all other operators) are carried out too late in the customer journey. This poses a risk to the Licensing Objective, 'keeping crime out of gambling' along with potential breaches of TACT (Part 3) and PoCA (Part 7) which requires that a SAR is submitted to the UKFIU where there is knowledge or suspicion of money laundering (including criminal spend) or terrorist financing. Failure to do so amounts to a criminal offence carrying a maximum penalty of up to 5 years imprisonment (s.330 and s.331 PoCA).

[†] With the exception of low frequency or subscription lotteries, gaming machine technical, gambling software, host, ancillary remote casino and ancillary remote bingo.

Advice from the Financial Action Task Force (FATF)

FATF (the global standard-setter for combating money laundering and the financing of terrorism and proliferation) has published a [paper \(opens in new tab\)](#) which identifies the challenges, good practices and policy responses to new money laundering and terrorist financing threats and vulnerabilities arising from the coronavirus crisis.

The Commission is drawing licensees' attention to this advice paper, advising (where necessary) to revise their ML/TF risk assessment, policies, procedures, and controls in order to mitigate all relevant identifiable risks within their business, as set out by FATF in this paper.